

February 7, 2011

Kathleen Sebelius, Secretary
U.S. Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Sebelius:

On behalf of the National Community Pharmacists Association (NCPA), we write with respect to your February 3, 2011 letter to governors identifying potential areas for Medicaid savings. Independent community pharmacists are proud to play a vital role in the Medicaid program as service providers for the drug benefit. In this capacity, we have a strong appreciation for the benefits of these programs, and share your goal to provide guidance on the budget challenges of these critical programs while also ensuring that patients continue to have access to quality, affordable health care through Medicaid.

Independent community pharmacists provide expert medication counseling and other cost-saving services that help mitigate the estimated \$290 billion that is spent annually as a result of patients who do not adhere properly to their medication regimen. More than any other segment of the pharmacy industry, independent community pharmacies are often located in the underserved urban and rural areas that are home to many Medicaid recipients. In fact, independent pharmacies represent 52% of all rural retail pharmacies and there are over 1,800 independent community pharmacies operating as the only retail pharmacy within their rural communities. Community pharmacists see first-hand the struggle that patients face in paying for their medication and the financial burden states face in meeting the needs of Medicaid patients. And we stand ready to work constructively with HHS, states and other payers to reduce health care costs, while providing quality care.

While we strongly support your efforts to provide the states with measures to drive pharmaceutical program costs down, we respectfully disagree with the statement that mail order is a potential cost-savings program strategy. Experience has shown that mail order pharmacies almost never deliver the savings they promise and are often ultimately more expensive than community pharmacies. In 2009, retail pharmacies drove a 69% generic dispensing rate (GDR) while the three dispensing services of the largest PBMs – Medco Health Solutions, Inc.; Express Scripts, Inc.; and CVS Caremark – had GDRs under 58% for the exact same time period – leaving potential savings on the table resulting from increased brand usage.

Furthermore, it is important to recognize that, by law, Medicaid programs get the manufacturer's best price for a particular drug. PBMs simply cannot negotiate better prices for drugs than Medicaid. In addition, limitations are placed on the supply of medications a Medicaid recipient can receive, in many cases this limit is 30 days. It is counterintuitive to suggest mail order as a viable option for this vulnerable and often transient population, as mail order prescriptions are generally dispensed in a three-month supply.

It also is equally detrimental to place distance between Medicaid patients and their medication services. Instead, this critical patient population benefits from strong face-to-face interventions and counseling services from community pharmacists which, of course, accrue to the advantage of state Medicaid programs. To provide anything less does a disservice to vulnerable patients and places substantial stress on programs due to needless visits to hospitals and clinics.

Any efforts at the state level to use actual acquisition costs as a benchmark for determining drug reimbursement must be done in tandem with a dispensing fee that adequately reimburses pharmacies to cover their professional and business-related costs. Special consideration must also be given to pharmacies that treat a high volume of Medicaid patients and those in underserved urban and rural areas. Attempts to undertake a national survey to create a database of actual acquisition costs for states to use must be carefully considered as we have not identified any applicable legal authority for CMS to collect these data.

We would welcome an opportunity to meet with your office to discuss this issue as well as sustainable solutions to reduce pharmaceutical expenditures in state Medicaid programs. It is our strong belief that shifting to mail order will have a negative effect on Medicaid beneficiaries' access to pharmacy providers and needed medications in violation of federally mandated Medicaid access standards, and will have other negative financial consequences for the overall Medicaid program. Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathleen D. Jaeger". The signature is fluid and cursive, with a prominent initial "K".

Kathleen D. Jaeger
Executive Vice President and Chief Executive Officer